

DDI# 6257-82
29 July 1982

82-52486/14

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

FROM :
Chairman, National Intelligence Council

SUBJECT: The Need for a More Intensive Development of
Strategy on US-European Relations

1. The process underway so far in the IG-IEP and SIG-IEP reflects a general problem on the way we are addressing our relations with Western Europe -- and arguably also Eastern Europe and the Soviet Union. There is a good deal of attention to tactics and too little on strategy. And there certainly has been an inadequate articulation of our aims with the Europeans (perhaps largely because of our unclarity on these aims especially regarding the East). I believe that the problem extends beyond economic relations and includes security relations with Europe.

2. For someone who has been intermittently involved with US-European affairs for over two decades, a striking feature of the present period is the negative character of much of the trans-Atlantic dialogue. There certainly have been periods of considerable tension in the past, notably when President DeGaulle was in power. However, during those periods visible efforts were being made on both sides of the Atlantic to invent and carry out positive steps to improve NATO's defenses, improve economic relations and the like. Assuming, as I do, that we have an enormously valuable relationship with the Europeans -- one that does however have to adapt to changing conditions -- we should be working on this relationship in a more positive and creative way than is now evident in the Government.

US-European Economic Relations

3. The issues now before the SIG-IEP are very tough. Both sides are in the trenches on the pipeline situation; the Administration has little bargaining room on steel; the Europeans have a weak position on agriculture but getting them to cut their export subsidies will be hard going; we are in a weak position on DISC; and the GATT Ministerial meeting, although potentially useful, does not promise important results. In addition there are issues concerning macroeconomic policy consultation and exchange market intervention. Fortunately on these intra-West matters there is agreement that protectionism is bad and there are no fundamental disagreements between us.

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4. An urgent task is to incorporate these topics (and perhaps others as well including sanctions, credits to Eastern Europe and the Soviet Union and non-Soviet energy prospects) in an overall strategic framework. [REDACTED]

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[REDACTED] Tomorrow's SIG will (finally) turn to the various issues outstanding with the Europeans but I am unclear on how this discussion will produce a strategy. Clearly, this is a task for a small staff group. [REDACTED] a very able but also a very busy person, has been producing the papers. He tells me that on the West-West issues he has been unable to develop any options (except on agriculture) and finds no trade-off possibilities among them. The IG, so far, has not come up with much. Maybe some more talent needs to be brought in to help on these problems (e.g., Harold Malmgren, Ambassador Katz from the OECD, former Ambassador to Bonn Martin Hillenbrand. The main point is to assemble a broadly knowledgeable and talented group).

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5. The group's task should not be limited to dealing with the issues now on our plate but to anticipate those that might arise in the next year or two and might be headed off. More importantly, it should try to devise initiatives that we might take in a positive spirit to improve our relations with Europe. This, of course, is our aim in the GATT Ministerial and this spirit motivates our search for non-Soviet energy alternatives, but there may be other arenas in which initiatives might be made. For instance, Mitterand's Versailles proposal on promoting new high technology development was too dirigiste for our taste; nevertheless, perhaps there are some types of joint research or other activities which could be mutually beneficial.

6. The staff group should also address East-West economic relations and perhaps, security relations as well. Obviously, the inclusion of security relations would take it well beyond the normal bounds of international economic policy. Secretaries Shultz and Weinberger might set up a parallel group to examine these or create an overarching group responsible for developing ideas in both security and economic areas. (Such a group might operate under NSC auspices). An argument for doing the latter is that we have more chips in the security area than we have in the economic one and perhaps could make some useful trades. In any case it is evident that the Soviets are using the arms control negotiations to widen differences in the Alliance further.

East-West Economic Relations

7. Although experience with the West Europeans since the invasion of Afghanistan on credits, and sanctions has been discouraging, their behavior is the net product of several distinct factors:

- their economic interest in trade with the East in a period of economic difficulty for them.
- their political interest in tolerable relations with the East (strongest for the Germans, weakest for the British).

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- an underlying fear for some that Soviet strength has outstripped NATO's, ability to match it.
- a different reading from ours of the Soviet system and its prospects.
- perhaps a stronger sense of the weakening of the Soviet hold on Eastern Europe than we believe.
- a greater US sense of challenge from Soviet moves outside of Europe and greater resulting stress on us to cope with this challenge than on them.

8. On these East-West issues, the differences seem to be and no doubt are more deeper seated than on West-West issues. One way of trying to determine how deep they run and to try to narrow them would be to use an existing forum (the NATO council?) or create an ad hoc one to explore in depth our respective assessments of Soviet foreign strategy, its economic prospects and those of Eastern Europe, and internal stability. This could be followed up by a cabinet level meeting in the Winter.

9. We owe it to ourselves and to the Europeans to make an all-out effort to understand and to communicate our different interests and perspectives and to try to narrow the differences. There is more than a good chance that some new Soviet misbehavior will help to remind them of the basic community of Western values and interests. But there is a greater risk than ever before that major sectors of European opinion will shift fundamentally and irreversibly toward neutralism between the US and the Soviet Union. No effort should be spared in combatting that trend.

Security Relations

10. In this domain, the dominant immediate issue is INF deployment and the associated arms control negotiations. It is receiving a lot of attention by State and Defense. Beyond this issue, however, there is the arguably even more basic one derived from the demands that might be placed on US forces outside of the NATO Guidelines area, for instance in the Middle East, which could cause a temporary or permanent shift of US forces from Europe. This possibility has been evident to the Europeans at least since the fall of the Shah in early 1979 and their response has been inadequate. It is a potential source of great divisiveness within the alliance. Other factors that could bring about pressures for a significant change one way or the other in our European deployments include domestic budgetary pressures and further evidence of instability in Eastern Europe on erosion of Soviet control over it.

11. Secretary Shultz might consider whether he wants fundamental topics such as these addressed on a business-as-usual basis or whether he wants to set up a special group to examine them.

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12. If you find any of these ideas useful you might raise them with Judge Clark, and Secretaries Regan, Shultz or Weinberger.



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